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SUBJECT: PARANA STATE GOVERNOR REQUIAO AND FINANCE  
MINISTRY SQUARE OFF OVER CONTRACT STABILITY

REF: A) BRASILIA 2921, B) 2003 SAO PAULO 1404, C) 2003 SAO  
PAULO 1302, D) 2003 RIO 321

[1](#)1. (U) To highlight the differences between the GOB and Parana Governor Requiiao on investment issues, notably in the SANEPAR case (reftel A), Post is transmitting a December 11 article from the second largest circulation Sao Paulo Daily "O Estado de Sao Paulo", which reports on a recent public confrontation between Requiiao and the Executive Secretary (Vice-Minister equivalent) of the GoB's Finance Ministry.

[1](#)2. (U) UNOFFICIAL TRANSLATION

HEADLINE: FOR REQUIIAO, RESPECTING CONTRACTS IS NONSENSE

SIDEBAR: The Governor presses the Executive Secretary of Finance in public, terming a speech by the latter in defense of respecting contracts between the public and private sectors as "ladainha" (i.e., rambling talk, tiresome recital, rigamarole).

ARTICLE TEXT: The Governor of Parana, Roberto Requiiao (PMDB), yesterday embarrassed the Executive Secretary of the Finance Ministry, Bernard Appy, when he criticized [GOB] economic policy and labeled Appy's speech "rigamarole."

"The stability of these contracts is nonsense," affirmed Requiiao.

At the opening of the ordinary meeting of the National Council of Tax Policy (Confaz) in Foz de Iguacu, Appy had highlighted the good performance of the economy and the consolidation of a more stable institutional framework for private investment. Right afterwards, he was confronted directly face to face by Requiiao in front of the Finance Secretaries.

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"I was surprised by the Executive Secretary's remarks. The impression I have is that Parana isn't part of the country described by Mr. Appy", he stated. "Growth in Brazil is anything but sustainable. We are following the old neo-liberal model". At this point, Requiiao compared Appy's speech in favor of the stability of contracts to the theory developed by ex-president Fernando Henrique Cardoso during the 60's, on the role of international capital in the development of Latin America. "This is where we get the rambling talk of security for investors with respect to contracts," said Requiiao, calling FHC's (Fernando Henrique Cardoso) most famous academic text, written in partnership with Enzo Faletto - "Dependency and Development in Latin America" - an insignificant "little book".

He also complained about the editorials in "O Estado de Sao Paulo" regarding his decisions to question and break contracts signed by predecessors. "Here in Parana, contracts that consecrate theft are questioned. If there is a contract that should be respected, it is the contract with the people."

Clearly bothered, Appy sought to respond, but Requiiao rapidly interrupted, preventing him from doing so. "If you reply, I'll just rebut what you say." End Unofficial Translation.

[1](#)3. (SBU) Comment. Requiiao's reported comments at the Confaz meeting are consistent with other public and private comments he has made regarding foreign investment and respect for contracts since taking office in January 2003. Requiiao told Sao Paulo Consul General Duddy in April 2003 that it was his responsibility as Governor to suspend contracts that were "clearly not in the interest of the State or its consumers." He cited in particular the suspension of payment by Copel, the Parana parastatal

energy company, to privately owned generating plants as an example of a "corrupt" contract subject to suspension. In other conversations with mission officials and in public statements, Requiao has also made it clear that he opposes in principle the privatization of most essential public services, such as energy, sanitation, and roadways (reftels B and C). Requiao's public criticism of Executive Secretary Appy's remarks is also consistent with his style;

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our interlocutors across the political spectrum in Parana universally describe him as intentionally polemical and thriving on controversy. End Comment.

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